

## *Budget Reference*

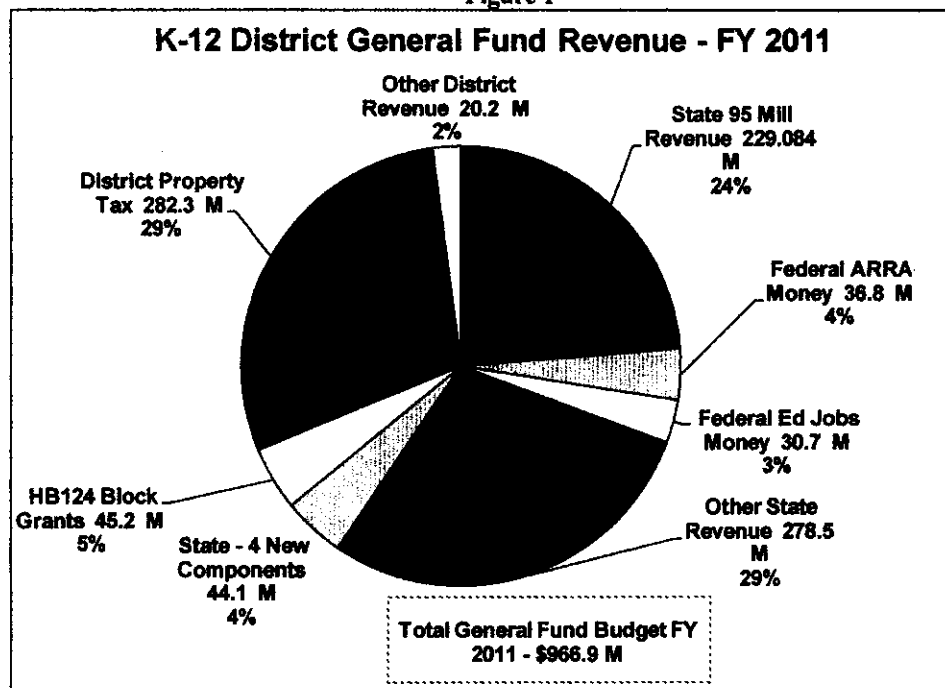


### **PUBLIC SCHOOL FUNDING – A PRIMER**

#### **OVERVIEW**

The purpose of this section is to explain how K-12 education is funded. This section focuses on the major district and county funds for which the state supplies at least some of the funding.

Figure 1



The state's share is one of the more controversial concepts in school funding. The state share of district general fund revenue has declined over the years. In FY 1991, the state's

Reappropriated fund balances are unreserved general fund balances left over from the previous year (approximately \$19.7 million in FY 2011). A district may hold in reserve at most an amount equal to 10.0% of its general fund budget, and must reappropriate the rest in the ensuing year. When districts under-predict current year revenues, fund balances reappropriated in the following year go up, and vice versa.

The remaining portion of the GTB area is funded with BASE property taxes (\$120.2 million in FY 2011) and state GTB aid (\$144.7 million in FY 2011). The amount of GTB aid a district receives depends on its relative wealth, as measured by the taxable value per dollar of GTB budget area. A relatively poor district's BASE mill levy generates local property taxes and a certain amount of GTB aid. The poorer the district, the more a BASE mill will be worth in terms of GTB aid. Statewide, the average ratio of GTB aid to BASE property tax revenue is a little more than one. This may vary from zero for wealthy districts to over ten for poor districts. The state may also increase GTB aid by increasing the statewide guarantee ratio which increases the state GTB subsidy. This was done in the 2007 special session for FY 2008 and beyond. The guarantee ratio was raised to 193% from 175%. This in effect raised the subsidy for each GTB-eligible district and made more districts eligible for GTB aid. This change added around \$10 million per year in state cost and reduced local property taxes by the same amount.

Districts that budget above the BASE level must do so out of own-source revenue and tuition from other districts, parents, or the state. Some districts are able to use nonlevy revenue to fund a portion of this budget area, but the vast majority levy over-BASE mills against property. Over-BASE property taxes are \$158.3 million in FY 2011, and are a growing source of revenue for district general fund budgets. Over-Base property taxes were only \$34.8 million in FY 1994.

#### DISTRICT GENERAL FUND SPENDING BY FUNCTION

Figure 8 spending by school districts by function. Instruction consumes approximately 54% of all spending by districts. Administration accounts for another 10.0%. The remaining functions include transportation, student services, spending on facilities, and other expenses. This data does not include spending from the adult education fund, the building fund, trust funds, and enterprise funds.

fund, the level of spending in the retirement fund is closely related to the level of spending in the general fund. Retirement costs associated with salaries in other state and federal funds are also paid for out of the district retirement fund. Districts may hold up to 35% of the final retirement budget in reserve, and any money above that must be reappropriated in the ensuing budget year.

The retirement fund is managed at the county level. The county collects the money and deposits it in district retirement accounts. The district then pays for the retirement contributions. The county retirement fund is funded by nonlevy revenue, state GTB, and local property taxes. A county is eligible for GTB if its taxable value per ANB is less than 121.0% of the state average taxable value per ANB. The amount of state GTB varies inversely with the value of a county's taxable property per ANB. Thus, less wealthy counties receive more GTB aid than do relatively more wealthy counties.

The retirement fund has been a nonvoted fund. That is, the county superintendent determines the amount of the levy, and the county commissioners fix and set the levy without putting the issue before the voters.

The total payment to districts by counties in FY 2009 was \$111.9 million. The state GTB payment to counties for retirement purposes was \$26.9 million in FY 2009.

Beginning in FY 2005, retirement costs for federal employees (except those paid for with Indian Impact aid) must be paid out of federal funds, not state or local funds, with exceptions for employees funded by a special education cooperative inter-local fund, the districts' food services fund, and any other state or local fund.

NAME10	NAMELSAD10	ALAND10 (in sq meters)	AWATER10	Area (in Sq Miles)
Billings	Billings city	112440355	294893	43.41
Missoula	Missoula city	71255396	424677	27.51
Great Falls	Great Falls city	56435854	1212443	21.79
Bozeman	Bozeman city	49515381	71894	19.12
Helena	Helena city	42344009	100021	16.35
Kalispell	Kalispell city	30135643	222633	11.64
Whitefish	Whitefish city	16653397	13901722	6.43
Shelby	Shelby city	15609429	395481	6.03
Livingston	Livingston city	15585471	23087	6.02
Lewistown	Lewistown city	13775360	0	5.32
Colstrip	Colstrip city	11565478	0	4.47
Polson	Polson city	10716425	86916	4.14
Miles City	Miles City city	8648579	763	3.34
Glendive	Glendive city	8594187	86693	3.32
Havre	Havre city	8489201	0	3.28
Belgrade	Belgrade city	8422620	0	3.25
Red Lodge	Red Lodge city	7255826	0	2.80
Sidney	Sidney city	6888579	45697	2.66
Hardin	Hardin city	6643383	0	2.57
Hamilton	Hamilton city	6544497	101769	2.53
Laurel	Laurel city	5553853	0	2.14
Fort Benton	Fort Benton city	5356311	0	2.07
Columbia Falls	Columbia Falls city	5304709	0	2.05
Neihart	Neihart town	5148134	0	1.99
Manhattan	Manhattan town	5002094	0	1.93
Libby	Libby city	4948765	90891	1.91
Choteau	Choteau city	4729133	0	1.83
Dillon	Dillon city	4553775	0	1.76
Sunburst	Sunburst town	4521086	621005	1.75
East Helena	East Helena city	4478780	26547	1.73
Thompson Falls	Thompson Falls city	4473792	0	1.73
Townsend	Townsend city	4084814	27042	1.58
Deer Lodge	Deer Lodge city	3729545	0	1.44
Three Forks	Three Forks city	3728937	152844	1.44
Glasgow	Glasgow city	3694572	0	1.43
Roundup	Roundup city	3464381	850	1.34
Columbus	Columbus town	3427436	65509	1.32
Outlook	Outlook town	3377242	0	1.30
Pinesdale	Pinesdale town	3353964	3575	1.29
Conrad	Conrad city	3248464	0	1.25
Ronan	Ronan city	3075002	737	1.19
Plentywood	Plentywood city	3028020	0	1.17
Boulder	Boulder city	2936022	0	1.13
Wibaux	Wibaux town	2785878	0	1.08